

Public Act 202 of 2017 Waiver Application Criteria

Background: As required by Public Act 202 of 2017: “The state treasurer shall issue a waiver of the determination of underfunded status for a local unit of government if the state treasurer determines that the underfunded status is adequately being addressed by the local unit of government.”

Approval Criteria: General guidelines are listed below to help your local government decide whether to apply for a waiver. Ultimately, waiver approval or disapproval is at the discretion of the State Treasurer; however, waiver applications should generally demonstrate at least one of the following seven criteria:

- In general, local governments that were previously granted a waiver should demonstrate improvement in their underfunded status in the subsequent year. Improvement can be measured by an increase in the funded ratio and/or a decrease in the Actuarially Determined Contribution (ADC) as a percentage of governmental revenue.
- There was a mistake in the filing process and the local government is not actually underfunded.
- Using updated data, such as a more recent actuarial valuation, the local government is not underfunded.
- If a local government fails to calculate an ADC within their audited financial statement and triggers underfunded status, the local government may file a waiver application to Treasury that includes the calculated ADC.
- The local government demonstrates their underfunded status will be addressed within four years.
- The local government is a non-primary government (e.g. road commission, authority, etc.) and demonstrates their ADC is less than 10% of governmental revenues for pension systems or less than 12% for OPEB systems.
- When adding enterprise fund revenues used specifically to pay retirement costs with governmental fund revenues, your ADC as a percentage of combined revenues is below 10% for pension systems and less than 12% for OPEB systems.